APPENDIX J

Floyd Norris, *Daimler-Benz is Ready to Sign Up With Wall Street*, THE NEW YORK TIMES, March 25, 1993

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HEADLINE: Daimler-Benz Is Ready to Sign Up With Wall St.

BYLINE: By FLOYD NORRIS

BODY:

Daimler-Benz A.G., the maker of Mercedes-Benz automobiles and the largest industrial company in Germany, said yesterday that it expected to become the first German company to trade on the New York Stock Exchange.

The listing would cap a bitter battle that has pitted the exchange and its chairman, William H. Donaldson, against the Securities and Exchange Commission and its chairman, Richard C. Breeden.

The big board has argued that the American accounting standards now required should be waived in order to persuade foreign companies to list their shares in the United States. While many companies have done so and trading has increased significantly, others, including German concerns, have resisted the expense -- and perhaps the embarrassment -- of restating their figures.

Setting a Big Example

No details of the tentative agreement between Daimler and the S.E.C. were released, but one person familiar with the details of the negotiations said the German company would release most of the information required under the American accounting rules.

If so, it would be a victory for Mr. Breeden in his final weeks at the S.E.C. He has already announced his resignation, though President Clinton has not named a replacement. Now, supporters of Mr. Breeden can argue that if a big company like Daimler-Benz is willing to comply with the basic American requirements, other German companies will not find it too burdensome.

American accounting rules require more disclosures than most foreign accounting rules, particularly in areas like reserves and dealings with related companies. To sell securities in the public markets in the United States, companies -- both domestic and foreign -- are required to file accounts that are substantially in conformity with the rules known as the Generally Accepted Accounting Principles.

In a statement released yesterday in Stuttgart, Germany, Daimler said that as a result of changing some accounting policies, it will report "an extraordinary profit of more than 4 billion marks," or about $2.45 billion, Reuters reported.

That seemed to indicate that the company was going to disclose a variety of reserves, as required under the American rules.

German accounting policies allow companies to set up secret reserves, into which money can be put in good years, lowering reported profits, and removed in bad years, increasing reported profits. Mr. Breeden has argued that such reserves allow companies to manipulate profits, preventing shareholders from knowing the real trends in the business.

Mr. Breeden, in an interview, declined to discuss terms of the tentative agreement, but said the Daimler announcement was correct. It said Mr. Breeden and Gerhard Liener, Daimler's chief financial officer, will meet in New York early next week to complete the agreement.

Mr. Donaldson has made efforts to list foreign companies a top priority since he took over the helm of the New York Stock Exchange. He has argued that it is becoming easier for American investors to buy shares of foreign companies in overseas markets and that refusing to allow "world class companies" to list in New York risked diminishing New York as a world financial center.

'We Are Delighted'

In a statement yesterday, Mr. Donaldson said, "We are delighted that the company announced today that it is now in a position, based on negotiations with U.S. regulators, to become the first German company to list."

A few years ago the S.E.C. spoke with a group of German companies about the possibility of listing in the United States, but the talks failed to produce an agreement. It appears that the talks with Daimler heated up earlier this year.

Until details are known, it will not be possible to determine just how far the S.E.C. went to accommodate Daimler. One area where compromises may have been made is in presenting three years of historical information for acquired companies. Such information is often difficult to determine, and there have been cases in which the S.E.C. allowed companies to make only partial disclosures in that area.

GRAPHIC: Graph: "The Attraction Of Foreign Stocks" shows purchases of foreign stocks by Americans on U.S. equity markets from '82 to '92 (Source: Treasury Department)

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ORGANIZATION: DAIMLER-BENZ AG; SECURITIES AND EXCHANGE COMMISSION (SEC); NEW YORK STOCK EXCHANGE (NYSE)

NAME: NORRIS, FLOYD

CO: DAIMLER-BENZ AG; NEW YORK STOCK EXCHANGE;